

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2063 - HB 2104

February 21, 2022

SUMMARY OF BILL: Directs the Governor, acting through the Commissioner of Finance and Administration, to submit a new waiver to the federal centers for Medicare and Medicaid services that provides medical assistance coverage for the same population groups and services as the Insure Tennessee proposal within 180 day of passage.

FISCAL IMPACT:

Increase State Revenue – \$27,299,000/FY22-23
\$59,021,800/FY23-24
\$33,219,600/FY24-25

Increase State Expenditures – \$84,910,000/FY22-23
\$176,500,800/FY23-24
\$102,712,300/FY24-25

Increase Federal Expenditures – \$651,813,800/FY22-23
\$1,418,567,900/FY23-24
\$801,798,500/FY24-25

Assumptions:

- The TennCare Demonstration Amendment #25 would have implemented the Insure Tennessee plan that, according to the Waiver Amendment Request, would operate as a two-year pilot program as an alternative plan for providing services to persons in the optional Medicaid eligibility category described in Section 1902(a)(10)(A)(i)(VIII) of the Social Security Act. It is assumed any expansion of Medicaid would be implemented in a similar manner under similar parameters.
- The expansion will become effective on January 1, 2023.
- The individuals who will qualify under the Insure Tennessee plan, also known as “newly eligible”, are between the ages of 19 and 64, are not otherwise eligible for Medicaid, and have family incomes that do not exceed 138 percent of the Federal Poverty Level.
- The three main components of the plan are: enrolling individuals ages 19 and 20 into the current TennCare program; the Healthy Incentives Plan; and the Volunteer Plan.
- The percent match rate in calendar year 2022 and beyond is 90 percent federal funds to 10 percent state funds.

Population estimates:

- In 2019, the Kaiser Family Foundation (KFF) estimated the total uninsured population in Tennessee was 671,200 individuals.
 - Of the 671,200 total, it is estimated that approximately 18 percent, or 118,000 individuals, are in what is known as the coverage gap because they do not qualify for traditional Medicaid but their incomes are too low to qualify for assistance through the Affordable Care Act.
 - The KFF report further estimated that 257,000 individuals are ineligible for financial assistance because their income is too high or they have what is considered affordable employer health coverage. It is assumed that not all of the individuals will qualify for the expansion.
- Enrollment is estimated to be:
 - 280,000 in FY22-23 (six months beginning January 1, 2023);
 - 293,800 in FY23-24; and
 - 307,600 in FY24-25 (six months beginning July 1, 2022).
- Based on information provided by the Division of TennCare, it is estimated at least 41 percent of the newly eligibles are currently working or have worked in the past year and may have the opportunity to join the Volunteer Plan based on statistics from the Medical Panel Survey data administered by the U.S. Department of Health and Human Services Agency on Healthcare Research and Quality.
- Based on information contained within the U.S. Census Bureau's *Health Insurance Coverage in the United States 2020* report, uninsured individuals in the 19- to 25-year age range peaked in 2009 at approximately 33 percent and have been steadily declining since. The 2020 report, provided estimates of 19- to 20-year olds at approximately 14 percent of the uninsured population. For purposes of this analysis, staff assumes 10 percent of the newly eligibles will enroll in the current TennCare program.
- The remaining 49 percent (100% - 41% in the Volunteer Plan - 10% regular TennCare program) will enroll in the Healthy Incentives Plan.

19- and 20-year olds:

- Newly eligibles under 21 years of age are entitled to all allowable Medicaid benefits and will be enrolled into the regular TennCare program.
- Effective January 1, 2019, the capitation rates in the TennCare MCO contracts range from \$155.28 to \$273.97 for males and females in this age group for the Medicaid and Uninsured/Uninsurable Aid Categories. For purposes of this analysis, an average of all capitation rates in this range was applied to the projected enrollees as a base cost.
- The average of \$210.76 was then adjusted for inflation of 7.5 percent beginning FY22-23 to an average per member per month (PMPM) cost of \$281.47 in FY22-23 \$302.58 in FY23-24 and \$325.27 in FY24-25.
- The following table shows the estimated increased expenditures for this group over the two-year pilot program:

Fiscal Year	Total Estimated Number of Enrollees	19-20 year olds	PMPM Cost	Months in Fiscal Year Affected	State Cost	Federal Cost
FY22-23	280,000	39,200	\$281.47	6	\$6,620,174	\$59,581,570
FY23-24	293,800	29,380	\$302.58	12	\$10,667,761	\$96,009,844
FY24-25	307,600	30,760	\$325.27	6	\$6,003,183	\$54,028,648

Healthy Incentives Plan:

- The Healthy Incentives plan will be an Alternative Benefit Plan that is fully aligned with the current TennCare benefit package and will be a product of the current participating managed care organizations (MCOs) and the pharmacy benefit manager (PBM).
- The Health Incentives plan will offer Health Incentives for Tennesseans (HIT) Accounts operationalized by the MCOs. These accounts will be pre-loaded with a small sum of credits at the beginning of coverage and members can earn additional credits by engaging in certain desirable behaviors and enrolling in participation-based health programs. Credits can then be used by members to offset their premiums and co-pays.
- Enrollees with incomes below poverty will not have premiums but will still have pharmacy co-pays to which the HIT account credits can be applied. Also, these members will be permitted to use the end-of-year remaining balances to be reimbursed for out-of-pocket expenditures for services not covered by TennCare.
- There will be a maximum balance that can be accrued in the HIT account and once the account is exhausted, the member will be responsible for premiums and all co-pays up to the aggregate cost sharing cap, which will be calculated on a quarterly basis. At the end of the year, any credits remaining in the account may roll over to the following year, provided the member has complied with all requirements associated with the account.
- Estimates for the Healthy Incentives Plan are based on January 1, 2019 Medicaid capitation rates. It is estimated that FY22-23 PMPM costs would be at least \$418.54.
- The PMPM in FY23-24 is estimated to be \$449.90 and the FY24-25 PMPM rate is estimated at \$483.73. Rates were adjusted for the remaining two fiscal years at an inflation rate of 7.5 percent.
- The following table shows the estimated increased expenditures for this group over the two-year pilot program:

Fiscal Year	Total Estimated Number of Enrollees	Healthy Incentives Plan	PMPM Cost	Months in Fiscal Year Affected	State Cost	Federal Cost
FY22-23	280,000	137,200	\$418.54	6	\$34,454,213	\$310,087,915
FY23-24	293,800	143,962	\$449.90	12	\$77,722,204	\$699,499,841
FY24-25	307,600	150,724	\$483.73	6	\$43,745,832	\$393,712,491

Volunteer Plan:

- The Volunteer Plan is a premium assistance plan for enrollees to participate in qualified private insurance plans.
- In the first year of the program, qualified private insurance plans will be limited to plans available to individuals through their work, or Employer-Sponsored Insurance (ESI). Enrollees will receive a defined contribution each month toward the costs of ESI coverage.
- The state or its contractor may make a direct payment to the employer or insurer for the member's share of the premium, and/or may make direct payments to providers for the member's share of deductibles and co-pays, and/or may reimburse the member for expenses incurred in the form of premiums, deductibles, and/or co-pays. Operational details will be finalized with input from employers.
- According to the *Insure Tennessee Frequently Asked Questions*, dated January 16, 2015, the defined contribution plus any other expenditures the state makes for the individual will always be lower than the average per-person expenditure in the Healthy Incentive Program with individuals with similar characteristics.
- According to the *Insure Tennessee-Two Year Enrollment and Cost Estimates* provided on January 28, 2015, payments under the Volunteer Plan cannot exceed the per member per year cost of the Healthy Incentive Plan. For purposes of this analysis, the Volunteer Plan is estimated at the same PMPM cost of the Healthy Incentives Plan.
- The following table shows the estimated increased expenditures for this group over the two-year pilot program:

Fiscal Year	Total Estimated Number of Enrollees	Volunteer Plan	PMPM Cost	Months in Fiscal Year Affected	State Cost	Federal Cost
FY22-23	280,000	114,800	\$418.54	6	\$28,829,035	\$259,461,317
FY23-24	293,800	120,458	\$449.90	12	\$65,032,865	\$585,295,785
FY24-25	307,600	126,116	\$483.73	6	\$36,603,657	\$329,432,900

Administrative Costs:

- Based on information provided by the Division of TennCare, the following recurring administrative costs will be incurred beginning in FY22-23:
 - Administration of the HIT account payments: \$4,700,000;
 - Administration of the Volunteer Plan Enrollment and Payments: \$720,000;
 - Options Counseling for Plan Choice: \$4,000,000; and
 - Eligibility and Enrollment Administrative Costs: \$6,000,000.
- Total recurring administrative expenditures will be \$15,420,000, of which 50 percent (\$7,710,000) will be federal expenditures and 50 percent (\$7,710,000) will be state expenditures.
- There will be one-time expenditures incurred in FY20-21 to make changes to the Medicaid Management Information System of \$1,000,000. Ninety percent, or \$900,000, will be federal funds and \$100,000 will be state funds.

Premium Tax Revenue and Expenditures:

- Pursuant to Tenn. Code Ann. § 56-32-124, there is currently a six percent tax on gross premiums collected by health maintenance organizations.
- For TennCare plans, the state pays this tax and receives federal matching funds. It is assumed that the state will receive the enhanced federal match for the two years of the program for the 19-20-year-olds enrolling in TennCare and the Healthy Incentives Plan Premiums. The enhanced federal match for FY20-21 is 65.165 percent federal funds to 33.835 percent state funds.
- The estimated revenue and corresponding break down of state and federal expenditures for the 19-20-year-old enrollees is:

Fiscal Year	19-20-year-olds	Total Cost	Premium Tax Rate	Premium Tax Revenue	State Cost	Federal Cost
FY22-23	280,000	\$66,201,744	6.0%	\$3,972,105	\$1,343,962	\$2,628,143
FY23-24	293,800	\$106,677,605	6.0%	\$6,400,656	\$2,165,662	\$4,234,994
FY24-25	307,600	\$60,031,831	6.0%	\$3,601,910	\$1,218,706	\$2,383,204

- The estimated revenue and corresponding breakdown of state and federal expenditures for the Health Incentives plan (including five percent discounted costs for cost sharing) is:

Fiscal Year	Volunteer Plan	Total Cost	Premium Tax Rate	Premiums Tax Revenue	State Cost	Federal Cost
FY22-23	137,200	\$288,290,352	6.0%	\$17,297,421	\$5,852,582	\$11,444,839
FY23-24	143,962	\$650,328,650	6.0%	\$39,019,719	\$13,202,322	\$25,817,397
FY24-25	150,724	\$366,036,556	6.0%	\$21,962,193	\$7,430,908	\$14,531,285

- The Volunteer Plan is a premium assistance plan for eligible enrollees to participate in private health insurance. The private insurance will be responsible for covering the tax on the premiums paid by enrollees. The amount of premiums collected will be direct revenue for the state.
- The exact amount of premium revenue resulting from the premium assistance plan is unknown because it will depend on the type of private insurance each individual enrollee is eligible for and the premiums established for each plan. Based on information provided by the Division of TennCare, it is estimated that at least one and three-quarters percent (1.75%) of the total costs will be realized as premium tax revenue as follows:

Fiscal Year	Volunteer Plan	Total Cost	Premium Tax Rate	Premiums Tax Revenue
FY22-23	114,800	\$344,542,128	1.75%	\$6,029,487
FY23-24	120,458	\$777,222,045	1.75%	\$13,601,386
FY24-25	126,116	\$437,458,323	1.75%	\$7,655,521

Total Increase in Revenue:

- The estimated total increase in state revenue is:
 - \$27,299,013 (\$3,972,105 + \$17,297,421 + 6,029,487) in FY22-23.
 - \$59,021,761 (\$6,400,656 + \$39,019,719 + \$13,601,386) in FY23-24.
 - \$33,219,624 (\$3,601,910 + \$21,962,193 + \$7,655,521) in FY24-25.

Total Increase in Expenditures:

- The estimated total increase in state expenditures is:
 - \$84,909,966 (\$6,620,174 + \$34,454,213 + \$28,829,035 + \$1,343,962 + \$5,852,582 + \$100,000 + \$7,710,000) in FY22-23.
 - \$176,500,814 (\$10,667,761 + \$77,722,204 + \$65,032,865 + \$2,165,662 + \$13,202,322 + \$7,710,000) in FY23-24.
 - \$102,712,286 (\$6,003,183 + \$43,745,832 + \$36,603,657 + \$1,218,706 + \$7,430,908 + \$7,710,000) in FY24-25.
- The estimated total increase in federal expenditures is:
 - \$651,813,784 (\$59,581,570 + \$310,087,915 + \$259,461,317 + \$2,628,143 + \$11,444,839 + \$900,000 + \$7,710,000) in FY22-23.
 - \$1,418,567,861 (\$96,009,844 + \$699,499,841 + \$585,295,785 + \$4,234,994 + \$25,817,397 + \$7,710,000) in FY23-24.
 - \$801,798,528 (\$54,028,648 + \$393,712,491 + \$329,432,900 + \$2,383,204 + \$14,531,285 + \$7,710,000) in FY24-25.

IMPACT TO COMMERCE:

Other Impact – The estimated impact to commerce in the state cannot be reasonably determined due to a number of unknown factors. In the first full year, the proposed legislation would create an estimated \$2.1 billion dollars in state and federal funds be paid into the healthcare system. The majority of these funds will be paid to insurance companies that will then pay claims to health care providers.

Assumptions:

- There could be varying degrees of economic impact to the health care industry as a whole in the state of Tennessee including but not limited to health insurance companies, hospitals, clinics, individual health care providers, and pharmacists.
- An approximant 340,000 new individuals would now be enrolled in health insurance and could receive health care services that they are not currently seeking which could result in increased business for health insurance companies contracted with the state and health care providers within the MCO networks.
- Some of these individuals could obtain health insurance coverage through a private insurance company. These individuals would no longer be uninsured and could receive health care services that they are not currently seeking. Depending on the health status of these individuals, this could result in a positive or negative financial impact to the individual health insurance companies.
- Health care providers could incur economic impacts depending on the type of insurance and the medical coverage that is obtained by these individuals after receiving coverage versus the type of care the individual is receiving as an uninsured individual. Also, the cost for services can differ depending on health coverage, network discounts, etc.
- Due to a number of unknown factors which include, but are not limited to, the health status of those individuals obtaining health insurance through the plan, the type of health insurance plan that would be offered by employers, and the variation in costs for health care services, a reasonable estimate of the impact the proposed legislation may have on commerce cannot be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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